

Message Text

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PAGE 01 STATE 051376

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TAGS: EAGR, OVIP

SUBJECT: GRAIN RESERVES AND THE EC

FOR ENDERS FROM KATZ

1. FOLLOWING IS PROPOSED BRIEFING PAPER FOR YOUR USE IN
TALKS ON RESERVES WITH EC OFFICIALS MARCH 8:

2. PROBLEM: AS A LARGE PRODUCER, IMPORTER AND EXPORTER OF
WHEAT, PARTICIPATION BY THE EUROPEAN COMMUNITY (EC) IS
ESSENTIAL TO A WORKABLE GRAIN IMPORTER/EXPORTER RESERVE
SCHEME. ALL AVAILABLE EVIDENCE SUGGESTS THAT THE EEC
COMMISSION REMAINS BOUND BY A POSITION ON GRAINS DEVELOPED
FOR THE WORLD FOOD CONFERENCE AIMED AT GAINING AN AGREE-
MENT, PREFERABLY WITHIN THE MTN, WHICH SANCTIONS THE CAP.
FAILING THIS OBJECTIVE, THE EC WOULD PREFER TO MAINTAIN
THE STATUS QUO. A MORE FLEXIBLE EC POSITION IS ESSENTIAL
FOR NEGOTIATION OF A GRAIN RESERVE ARRANGEMENT TO TAKE
PLACE IN A FOOD SECURITY CONTEXT.

3. BACKGROUND/ANALYSIS: THE EC PARTICIPATED IN THE US-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 051376

CONVENED AD HOC MEETING ON GRAIN RESERVES AND CONCURRED

IN ESTABLISHING A WORKING GROUP IN THE INTERNATIONAL WHEAT COUNCIL (IWC) TO EXAMINE, INTER ALIA, POSSIBLE ELEMENTS OF A RESERVES SCHEME. CONCURRENTLY, THE EC MAINTAINED ITS LONG-STANDING PREFERENCE FOR HANDLING AGRICULTURAL QUESTIONS IN TERMS OF QUOTE MARKET ORGANIZATION UNQUOTE AND PRICE

STABILIZATION THROUGH COMMODITY AGREEMENTS, INSISTING THAT AGRICULTURE BE DISCUSSED SEPARATELY IN THE MTN AND KEEPING OPEN THE QUESTION OF LINKAGE BETWEEN THE MTN AND DISCUSSIONS ELSEWHERE. THE EC AND THE US FINALLY COMPROMISED ON HOW TO DEAL WITH AGRICULTURE IN THE MTN, AGREEING TO ESTABLISH AN AGRICULTURE COMMITTEE ON THE UNDERSTANDING THAT OTHER COMMITTEES NOT BE PRECLUDED FROM DISCUSSING AGRICULTURE WHERE APPROPRIATE. THE EC UNDERSTANDS THAT THE MORE FAVORABLY THE ORGANIZATION OF WORK IS SKEWED TOWARD EXISTING EC POSITIONS, THE LESS LIKELY IS ANY SIGNIFICANT AGREEMENT ON AGRICULTURE.

3. THE FOOD SECURITY APPROACH TO A GRAIN RESERVE SCHEME IS IMPORTANT TO THE US FOR BOTH FOREIGN POLICY AND DOMESTIC ECONOMIC REASONS. THE EC DOES NOT SHARE THIS CONCERN (IT IS A HIGH-COST BUT VIRTUALLY SELF-SUFFICIENT PRODUCER OF FOOD GRAINS) BUT IS CAREFUL NOT TO APPEAR OPENLY UNSYMPATHETIC BECAUSE OF LDC INTEREST IN THE SUBJECT.

4. FROM THE OUTSET THE EC HAS BEEN SUSPICIOUS THAT THE US INITIATIVE ON GRAIN RESERVES WOULD INVOLVE IT IN NEW COMMITMENTS WITHOUT SATIFYING ITS TRADE OBJECTIVES. ALTHOUGH THE ISSUE HAS NOT BEEN MADE EXPLICIT, THE EC SEEKS A FLOOR PRICE FOR WHEAT THAT WOULD UNDERWRITE ITS CAP AS PART OF ANY AGREEMENT ON GRAINS. THE EC HAS NOW INFORMED US THAT IT REGARDS THE MTN AS THE ONLY FRAMEWORK FOR MEANINGFUL DISCUSSION OF GRAIN ISSUES AND WILL MINIMIZE ANY PARTICIPATION IN THE INTERNATIONAL WHEAT COUNCIL (IWC) WORKING GROUP UNTIL TRADE-RELATED ISSUES HAVE BEEN DEALT WITH IN THE MTN. AGREEING TO DISCUSS GRAINS IN THE AGRICULTURE COMMITTEE AT THE MTN WOULD UNDERMINE THE US-EC COMPROMISE APPROACH TO AGRICULTURAL NEGOTIATIONS, WHICH PRESERVES A ROLE FOR FUNCTIONAL COMMITTEES, AND WOULD SET A PRECEDENT FOR ALL AGRICULTURAL COMMODITIES.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 051376

5. TO PRESERVE THE BEGINING MADE TOWARD DISCUSSION OF RESERVES ISSUES IN THE IWC, WE SHOULD MAKE CLEAR TO THE EC THAT WE INTEND TO PROCEED WITH ANALYTICAL WORK FOR WHICH THE IWC IS PARTICULARLY WELL-SUITED.

6. EVEN WITH DISCUSSIONS IN THE IWC UNDERWAY, A CHANGE IN THE PRESENT EC POSITION IS A PREREQUISITE FOR SERIOUS NEGOTIATION. A COMBINATION OF US LEADERSHIP AND INTER-

NATIONAL PRESSURE COULD BRING ABOUT SUCH A CHANGE, ALTHOUGH IT WILL BE A DIFFICULT PROCESS FOR THE EC ULTIMATELY REQUIRING COUNCIL OF MINISTERS APPROVAL. THE US CAN EXERCISE LEADERSHIP BOTH BY GUIDING THE EFFORTS OF THE IWC WORKING GROUP AND BY OFFERING BILATERAL CONSULTATION WITH THE EC ON GRAIN RESERVES IN WHICH PRICE AND RELATED ISSUES COULD BE DISCUSSED TO EXPLORE THE

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POSSIBILITIES FOR SUBSEQUENT SUCCESSFUL NEGOTIATION.

7. TALKING POINTS:

--THE US GOVERNMENT IS FIRMLY COMMITTED TO THE RAPID ESTABLISHMENT OF AN EFFECTIVE INTERNATIONAL RESERVES SYSTEM.

--THE AD HOC MEETING IN LONDON (FEBRUARY 10-11) WAS USEFUL IN CLARIFYING ISSUES, AND WE ARE SURPRISED THAT THE EC HAS NOW INDICATED IT HAS SERIOUS RESERVATIONS ABOUT PARTICIPATING IN FURTHER PREPARATORY WORK IN THE IWC WORKING GROUP.

--WE VIEW THE WORKING GROUP AS A MEANS FOR PERFORMING THE CONSIDERABLE TECHNICAL ANALYSIS RELATED TO ANY NEW ARRANGEMENT ON GRAINS. WE FULLY INTEND TO PROCEED IN THE IWC AND HOPE THAT ALLTHOSE INTERESTED IN FOOD SECURITY AND RELATED MATTERS WILL JOIN IN THIS WORK.

--BY THE TIME THE WORKING GROUP REPORTS TO THE IWC IN JUNE, OR POSSIBLY EARLIER, WE SHOULD AGAIN CONSIDER THE FORUM FOR NEGOTIATION, PERHAPS AT ANOTHER AD HOC MEETING, AND THEN BEGIN NEGOTIATIONS IMMEDIATELY.

--THIS SEQUENCE, IN OUR VIEW, IS BEST CALCULATED TO OBTAIN THE COOPERATION OF THE SOVIETS, WHOSE PARTICIPATION WE
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 051376

REGARD AS HIGHLY DESIRABLE IF NOT ACTUALLY ESSENTIAL. WE ARE CONTINUING BILATERAL CONTACTS WITH THE USSR TO ENCOURAGE FULL PARTICIPATION.

--OUR CONCERN ABOUT PROCEEDING WITHOUT DELAY IS BASED UPON OUR CONVICTION THAT THERE IS A WORLD FOOD SECURITY PROBLEM TO WHICH WE HAVE AN OBLIGATION TO RESPOND. THERE IS WIDE-SPREAD CONCERN, ESPECIALLY AMONG DEVELOPING COUNTRIES, ABOUT FOOD SECURITY, AND WE BELIEVE THAT THE MAJOR EXPORTERS, IN PARTICULAR, SHOULD EXERCISE LEADERSHIP. WITHOUT SUCH LEADERSHIP, THE DISCUSSIONS THAT ARE CONTINUING IN THE FAO AND ELSEWHERE ARE LIKELY TO BE FRUITLESS AND PERHAPS EVEN HARMFUL.

--WHILE HOPING TO PROCEED QUICKLY, WE RECOGNIZE THE NEED TO DISCUSS FURTHER THE TRADE IMPLICATIONS OF RESERVES

NEGOTIATIONS. OUR IMPRESSION IS THAT THE EC IS

PARTICULARLY CONCERNED ABOUT TRADE AND BELIEVE THAT IF
COMMON GROUND FOR NEGOTIATION CAN BE ESTABLISHED BETWEEN
THE US AND THE EC THE UNDERSTANDING WOULD BE BROAD ENOUGH
TO ACCOMMODATE OTHER VIEWPOINTS AS WELL.

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--ACCORDINGLY, WE SUGGEST A MEETING OF SENIOR EC AND US
OFFICIALS, BELOW THE POLITICAL LEVEL, TO IDENTIFY ISSUES,
ESPECIALLY TRADE ISSUES, MORE CLEARLY AS A STEP TOWARD
DECIDING ON WHERE AND HOW TO DEAL WITH THEM.

--WE HOPE THAT SUCH A MEETING WOULD BE MARKED BY THE OPEN
MINDEDNESS SHOWN BY BOTH SIDES IN THE DISCUSSIONS LAST
NOVEMBER BETWEEN COMMISSIONER LARDINOIS AND SECRETARY
BUTZ.

--OUR GOAL IN SEEKING TO ESTABLISH A BASIS FOR A RESERVES
AGREEMENT IS TO ENHANCE WORLD FOOD SECURITY. THE
IMPLICATIONS OF SUCH A GOAL ARE WIDE, HOWEVER, AND WE HOPE
THAT A FRANK EXCHANGE ON THE IMPLICATIONS OF SUCH AN
AGREEMENT WOULD SHOW A PATH ALONG WHICH WE CAN AGREE TO
PROCEED. INGERSOLL

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